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Message Text

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20
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E.O. 11652: N/A
TAGS: ETRD, EFIN, YO
SUBJ: YUGOSLAV TRADE AND PRODUCTION UP IN JANUARY/FEBRUARY 1974;
INFLATIONARY TRENDS ALSO CONTINUE

REF : A) BELGRADE A-118 (2/22/74) B) BELGRADE 0841 (2/22/74)

1. SUMMARY: YUGOSLAV EXPORTS UP 69 PER CENT IN JANUARY-FEBRUARY 1974 AND IMPORTS UP 70 PERCENT OVER CORRESPONDING PERIOD IN 1973. TRADE BALANCE WORSENED. PRELIMINARY INDICATIONS OF INVISIBLES PERFORMANCE, HOWEVER, ECNOURAGING. INDUSTRIAL PRODUCTION UP CLOSE TO 9 PER CENT, AND PRODUCTIVITY UP 5 1/2 PER CENT - BOTH BETTER THAN EXPECTED. DESPITE THIS, INFLATION CONTINUES AT LAST YEAR'S RATES. END SUMMARY.

2. ACCORDING TO PRELIMINARY DATA RELEASED OVER WEEKEND, YUGOSLAV FOREIGN TRADE INCREASED SUBSTANTIALLY DURING JANUARY/ FEBRUARY 1974. BY COMPARISON JANUARY/FEBRUARY 1973, VALUE OF EXPORTS IN JANUARY/FEBRUARY 1974 ROSE BY REPORTED 69 PERCENT TO $613 MILLION. IMPORTS IN SAME PERIOD ROSE 70 PERCENT TO
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$1,087 BILLION. TRADE GAP FOR FIRST TWO MONTHS THUE

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$474 MILLION; AN INCREASE OF 71 PERCENT OVER FIRST
TWO MONTHS 1973.

3. HIGHEST RATES OF GROWTH WERE EXPERIENCED IN TRADE WITH
DEVELOPING COUNTRIES. EXPORTS TO LDC'S UP 163 PERCENT AND IMPORTS
FROM LDC'S UP 108 PERCENT. EXPORTS TO EASTERN EUROPE COUNTRIES
UP 84 PERCENT AND IMPORTS UP 73 PERCENT. EXPORTS TO WEST UP 47
PERCENT AND IMPORTS UP 67 PERCENT (NO FIGURES GIVEN).

4. FIGURES ON VITAL INVISIBLES INFLOW LAG BEHIND TRADE FIGURES,
BUT INITIAL INDICATIONS SUGGEST INVISIBLE INCOME WILL REMAIN
HIGH IN 1974. GERMAN EMBASSY SOURCES TELL US THAT THERE IS MINIMAL
RETURN OF GUEST WORKERS SO FAR IN 1974 - AN ENCOURAGING INDICATION
THAT WORKERS' REMITTANCES WILL CONTINUE HIGH. TOURIST SPOK-
ESMEN PROJECT A 10 PERCENT INCREASE IN TOURISM RECEIPTS IN 1974
TO APPROXIMATE $700 MILLION INFLOW. SURPLUS ON
TRANSPORTATION ACCOUNT FOR 1974 ESTIMATED TO BE IN $100-$120
MILLION RANGE.

5. PRELIMINARY INDUSTRIAL PRODUCTION FIGURES FOR JANUARY/
FEBRUARY 1974 SHOW INCREASE OF 8.8 PERCENT IN JANUARY AND 8.7
PERCENT IN FEBRUARY COMPARED TO CORRESPONDING MONTHS IN 1973.
" EXCEPTIONALLY GOOD" RESULTS REPORTED IN BUILDING MATERIAL,
OIL, IRON/STEEL AND FOOD-PROCESSING SECTORS. GOVERNMENT'S
ECONOMIC POLICY STATEMENT FOR 1974 CALL FOR 8 PERCENT INCREASE IN
INDUSTRIAL PRODUCTION. IN JANUARY UP 5.5 PERCENT BY COM-
PARISON TO JANUARY 1973. FIGURE COMPARES FAVORABLY TO REPORTED
3.7 PERCENT FIGURE FOR FULL-YEAR 1973. INVESTMENTS AND SAVINGS
FIGURES FOR JANUARY ALSO SHOW FAVORABLE GROWTH: INVESTMENTS
AND SAVINGS FIGURES FOR JANUARY ALSO SHOW FAVORABLE GROWTH:
INVESTMENTS IN FIXED ASSETS UP 31.8 PERCENT OVER JANUARY 1973 LEVEL.

6. INFLATION CONTINUES AT LAST YEAR'S 20 PERCENT LEVEL. PRICE
INDES ROSE 1.0 PERCENT IN JANUARY AND 1.2 PERCENT FEBRUARY.
EXCEPT FOR FAVORABLE EFFECTS OF PRODUCTION AND PRODUCTIVITY
INCREASE, GOVERNMENT'S ANTI-INFLATION PROGRAM (REF B) STILL
SHOWS NO EFFECT.

7. COMMENT. ALTHOUGH EXPORT PERFORMANCE IS GRATIFYING FOR
YUGOSLAVS, TRADE GAP, IF PRESENT TRENDS CONTINUE, COULD
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MEAN MODERATE BALCANCE OF PAYMENTS CURRENTLY ACCOUNT DEFICIT
EVEN IF, AS NOW APPEARS LIKELY, INVISIBLES HOLD UP. GOY APPEARS
TO RECOGNIZE THIS PROBLEM AND IS DOING WHAT IT CAN TO HOLD BACK
NON-ESSENTIAL IMPORTS. SECOND STAGE OF IMPORT LIBERALIZATION PROGRAM,
SCHEDULED TO GO INTO EFFECT JANUARY 1 WAS POSTPONED. LATEST IN-
FROMATION IS LATAT LIST OF COMMODITIES TO BE LIVERALIZED
HAS BEEN SIGNIFICANTLY REDUCED FROM ORIGINALLY PROPOSED 2000
TO 900. PRODUCTION RATE INCREASE IS ENCOURAGING, ALTHOUGH PERIOD

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OF COMAPRISON (FIRST TWO MONTHS OF 1973) WAS ONE OF
STAGNATION IN INDUSTRIAL OUTPUT. IN SUM, OUTLOOK AT THIS TIME
IS MIXED WITH IMPROVEMENTS IN EXPORT PERFORMANCE
INVISIBLES OUTLOOK AND PRODUCTION BALANCED BY
DETERIORATION OF TRADE BALCANCE AND CONTINUED HIGH RATE OF
INFLATION. AS FIGURES FOR EXPORTS TO LDC'S DEMONSTARATE,
HOWEVER, GOY IS MAKING INTENSIVE EFFORT TO OFFSET RISING OIL
IMPORT COSTS BY INCREASING CONSTRUCTION SERVICES AND EQUIPMENT
SALES THROUGHOUT MIDDLE EAST AND OTHER LDC'S SEE SEPTEL
FOR DETAILS ON GOY SALES EFFORTS IN LIBYA.
TOON

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